

FREQUENTLY ASKED QUESTIONS ON TRANSITIONAL ARRANGEMENTS FROM THE OLD PENSION SCHEME INTO THE NEW PENSION SCHEME

1. WHAT HAPPENS TO THE RETIREMENT BENEFITS OF AN EMPLOYEE WHO IS ALREADY UNDER A PENSION SCHEME EXISTING BEFORE THE COMMENCEMENT OF THE NEW PENSION SCHEME?

Employee's right to accrued retirement benefits for the previous years he/she has been in employment is guaranteed by the Pension Reform Act 2004. In the case of the public service of the Federation and the Federal Capital Territory, where pension scheme was unfunded, the right would be acknowledged through the issuance of a "Federal Government Retirement Bond" to such employee. The bond will be redeemable upon retirement of the employee.

2. HOW WILL THE FEDERAL GOVERNMENT FUND THE REDEMPTION BONDS?

The Federal Government has established a Retirement Benefits Bond Redemption Fund Account in the Central Bank of Nigeria. The Federal Government is already making a monthly payment into the Fund of an amount equal to 5% of the total monthly wage bill payable to all employees of the Federal Government and the Federal Capital Territory.

3. HOW WILL THE ACCRUED BENEFITS UNDER EXISTING FUNDED DEFINED BENEFITS SCHEMES BE HANDLED?

In the case of funded pension schemes in the public service of the Federation and the private sector, employers shall undertake actuarial valuation of the employee's accrued benefits and credit the Retirement Savings Accounts (RSAs) of its employees with such funds and in the event of any deficiency, the shortfall shall become a debt and shall be treated with same priority as salaries owed. The employer shall also issue a written acknowledgement of the debt and take steps to meet the shortfall.

4. WHAT WILL HAPPEN TO EXISTING PENSIONERS IN THE PRIVATE SECTOR?

Pension Boards in the private sector existing before the coming into force of the Pension Reform Act 2004 will continue to administer the pensions of the existing pensioners and the National Pension Commission will supervise such boards.

5. WHAT WILL HAPPEN TO EXISTING PENSIONERS IN THE PUBLIC SECTOR?

In the public service, Pension Departments have been created to carry out the functions of the relevant pension boards or offices in the public service of the Federation and Federal Capital Territory with a view to making regular and prompt payment of pension to existing pensioners.

6. WHERE AN EMPLOYEE THAT HAS MORE THAN 3 YEARS TO RETIRE DECIDES TO RETIRE NOW, HOW WILL HIS BENEFIT BE HANDLED?

An actuarial valuation of his/her accrued retirement benefits will be made and the amount plus his contributions to date will consist of his/her retirement benefits in his/her RSA which can only be accessed at the age of 50 years. Withdrawals from the RSA will depend on the professional advice of the PFA having regard to the provisions of the Pension Reform Act 2004 which provides for lump sum withdrawal, programmed withdrawals or purchase of annuity.

7. WHAT HAPPENS TO MY RSA WHEN I CHANGE JOBS?

The RSA remains with the PFA of your choice for as long as you want. You simply notify your new employer of the details of the PFA that manages your account and thereafter your contributions will be sent to the custodian of the PFA.

8. WHAT HAPPENS TO THE PENSION FUNDS CONTRIBUTED UNDER THE NIGERIAN SOCIAL INSURANCE TRUST FUND (NSITF) BEFORE THE NEW PENSION SCHEME?

The pension funds contributed to the NSITF before the commencement of the new pension scheme including the income shall remain with the NSITF for a minimum period of five years from the commencement of the Pension Reform Act 2004. NSITF shall establish a company to be licensed by the National Pension Commission as a PFA which will

manage the pension funds in accordance with the provisions of the Pension Reform Act 2004.

9. CAN A CONTRIBUTOR MOVE HIS CONTRIBUTIONS UNDER NSITF TO ANOTHER PFA?

A contributor or beneficiary under NSITF Act can only move his pension contributions under NSITF to another PFA after a period of 5 years from the date of commencement of the Pension Reform Act 2004.

10. CAN NSITF STILL HANDLE PENSION MATTERS UNDER THE NEW PENSION SCHEME?

NSITF will only handle pension matters of existing pensioners and those exempted by the Act who have contributed to the NSITF under the supervision of the National Pension Commission.

11. WHAT WILL HAPPEN TO NSITF AFTER COMING INTO FORCE OF THE ACT?

NSITF will continue to provide social security services other than pension to the country.

12. WHAT HAPPENS TO EXISTING PENSIONERS WHO MADE CONTRIBUTIONS UNDER NSITF?

Retirement benefits shall be paid to existing pensioners under the rules upon which contributions were made, under the supervision of the National Pension Commission.

13. WHAT HAPPENS TO THE CONTRIBUTIONS OF THOSE EXEMPTED FROM THE NEW SCHEME BUT HAVE MADE CONTRIBUTIONS UNDER NSITF SCHEME?

The contributions into NSITF made by those exempted from the new scheme shall be computed and credited into their respective RSAs opened by the NSITF pending the retirement of such contributors.

14. IS AN EMPLOYER IN THE PRIVATE SECTOR OPERATING A DEFINED BENEFIT SCHEME REQUIRED TO OPEN RSAs FOR HIS EMPLOYEES AND CREDIT ACCRUED PENSION RIGHTS?

Any company operating a defined benefit scheme that is desirous of continuing the scheme must, in addition to satisfying other conditions specified in the Act, open RSAs so that the pension funds can be held by a custodian. Computation of the accrued pension rights to be credited to the RSAs shall be done by actuarial valuation.

For more enquiries, please contact:

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